

Office of City Auditor

IMPROVEMENTS AT PURCHASING SERVICES

March 19, 1998

Susan Cohen, Acting City Auditor
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City of Seattle

Office of City Auditor

Nora Masters, City Auditor

March 19, 1998

The Honorable Paul Schell, Mayor
Seattle City Councilmembers
City of Seattle
Seattle, Washington 98104-1876

Dear Mayor Schell and City Councilmembers;

Attached is our report regarding our work with Purchasing Services to ensure it has proper control over its processes and to increase its ability to provide timely services. Our Executive Summary (page i) provides a brief discussion of the important points. Purchasing Services provided a formal response to our audit, which we have attached to our report as Addendum C.

We would like our readers to complete and return the evaluation form at the back of our report. In addition to using the information we receive on the forms to improve the quality of our reviews, we also use the form to solicit ideas for future audits.

We greatly appreciate the assistance and professionalism of the Contracting Services Division Director, the Purchasing Manager, the Buyers and Support Staff. If you have any questions regarding this report or would like additional information, please call me at 233-1093.

Sincerely,

[signature removed for security purposes]

Susan Cohen
Acting City Auditor

Enclosures

Executive Summary

Purpose

Between October 1996 and December 1997, we have worked with Purchasing Services to ensure it has proper controls over its process and to increase its ability to provide timely services.¹

Results Of Our Work

As a result of our work with Purchasing Services, a number of concerns are being addressed.

Timeliness: Purchasing Services is taking steps to improve its timeliness. One of the most important issues with Purchasing Services, as highlighted by customer dissatisfaction, concerned the timeliness with which requisitions are filled. These include process changes it has already implemented and others in process or under active consideration.

Written Guidance: Purchasing Services has started overhauling its written guidance. Steps it has already taken or will soon take include:

- developing an up-to-date and consistent operating manual for buyers and a purchasing guidance for user departments;
- updating the rule² governing direct vouchers;
- revising its current WMBE implementation plan and adopting it as a formal rule under the City's Administrative Code; and
- revamping all other rules pertaining to purchasing as part of the purchasing reengineering process currently underway in anticipation of the PeopleSoft-based financial management system.

Adherence with the Law: In October 1996, in response to a large backlog of purchase order requisitions, Purchasing Services, with the approval of the Contracting Services Director and the Director of DAS, established several emergency procedures to expedite the acquisition of needed goods and services which may have violated the provisions of the Seattle Municipal Code. All buyers in Purchasing Services are now attending regular meetings with a representative from the Law Department to discuss contracting practices and issues. Purchasing Services will also work more closely with the Law Department and the City Council to ensure its actions do not violate competitive bidding requirements.

¹ We did this work at the request of the Director of Contracting Services.

² Rule 97-2.

Managing Blanket Contracts: Purchasing Services has recently established a new Blanket Contract Team to evaluate and improve blanket contract practices and to promulgate, where appropriate, these practices in a formal rule. The Team's tasks include:

- identifying contracts that need extending, rebidding, or other administrative action;
- updating the listing of current and expired contracts on the City's In-Web; and
- reviewing other jurisdiction's blanket contracts that are available for the City's use.

Documentation of Compliance with Bidding and WMBE Requirements: During our review we noted inadequate documentation of compliance with competitive bidding and WMBE requirements, and also untimely filing of contract documentation. Purchasing Services will soon begin using a documentation checklist that we believe will improve their documentation practices.

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CHAPTER ONE

PURPOSE

Between October 1996 and December 1997, we have worked with Purchasing Services to ensure it has proper controls over its process and to increase its ability to provide timely services.³ In particular, Purchasing Services has worked to increase its ability to:

- provide timely service in filling department requisitions;
- provide its buyers with consistent and up-to-date purchasing rules;
- strengthen control measures, particularly in regard to obtaining and handling bids;
- document and control its purchasing actions adequately; and
- monitor and manage blanket contracts appropriately.

BACKGROUND

In July 1996, a bid was materially changed after opening, which violates the Seattle Municipal Code. After investigating the incident, the employee responsible was terminated from his employment with the City. The Director of the Contracting Services Division brought the issue to the attention of the City Auditor at the time of his request for an audit of the City's purchasing practices.⁴

Purchasing Services, a section of the Executive Services Department's Contracting Services Division, buys goods and services on behalf of the City. In 1996 its staff consisted of a purchasing manager and 10 FTE buyers.⁵ (Addendum A provides an organizational chart for Purchasing Services.)

In carrying out its responsibilities, Purchasing Services awards four types of contracts: 1) purchase orders for one-time purchases of goods, supplies, materials, equipment and services; 2) blanket contracts for purchasing items needed continuously or repeatedly from published price lists; 3) public works contracts⁶; and

³ We did this work at the request of the Director of Contracting Services.

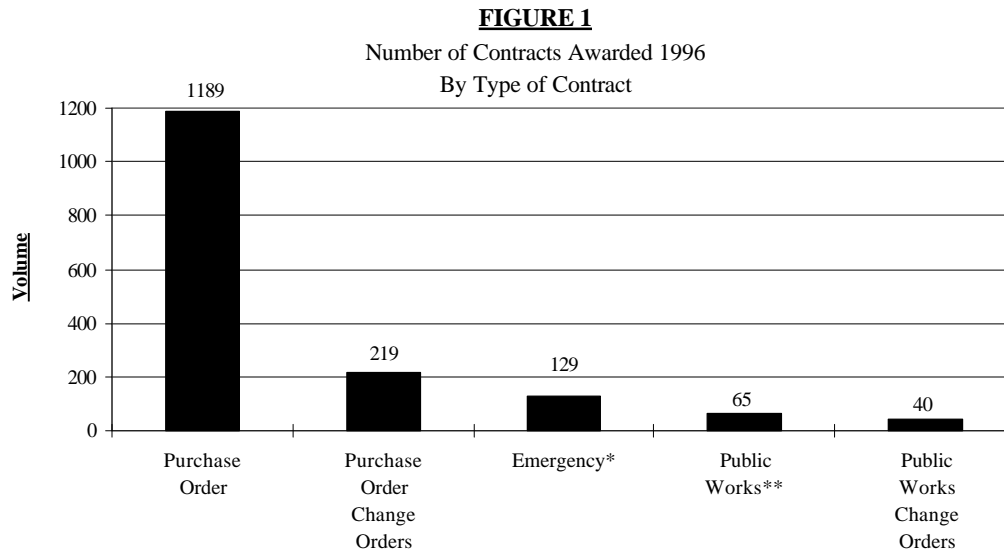
⁴ The Executive Director of the Seattle Ethics and Elections Commission conducted a separate investigation of this incident and found no violation of City ethics rules by the buyer.

⁵ At the beginning of 1996, Purchasing Services had two vacant buyer positions and one buyer on extended sick leave. The sick buyer retired at the end of September, and two other buyers left City service. For purposes of this report, "buyer" includes principal buyers, senior buyers, buyers and assistant buyers, unless otherwise noted.

⁶ Purchasing Services awards public works contracts that do not require a WMBE set-aside.

4) emergency contracts. Purchasing Services also issues change orders to amend contracts it has previously awarded.

As Figures 1 and 2 show, purchase orders are by far the most significant type of contract, accounting for over 70 percent of the nearly 1,700 contracts Purchasing Services awarded in 1996 and over 87 percent of their roughly \$38 million dollar value.⁷



Source: Purchasing Services

*In case of an emergency, items may be purchased immediately in the open market without advertising regardless of the amount of the purchase.

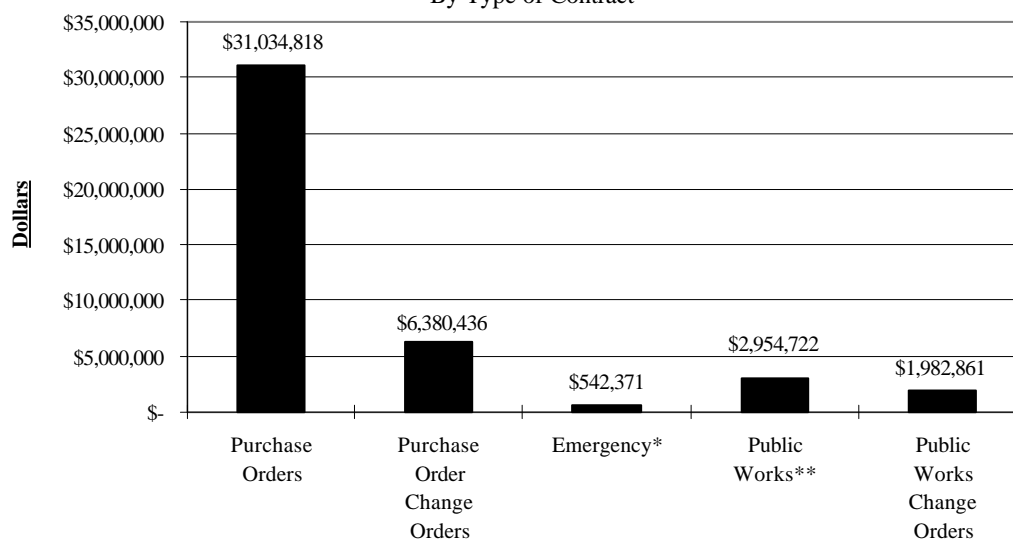
**Purchasing Services awards public works contracts for items that do not require a WMBE set-aside.

⁷ Purchasing Services officials stated that they maintain and provide a list of blanket contracts to departments periodically, but that they do not track awards, extensions and renewals of blanket contracts due to a lack of automation.

FIGURE 2

Dollars Awarded in 1996

By Type of Contract



Source: Purchasing Services

*In case of an emergency, items may be purchased immediately in the open market without advertising regardless of the amount of the purchase.

**Purchasing Services awards public works contracts for items that do not require a WMBE set-aside.

SCOPE AND METHODOLOGY

In performing our work we:

- reviewed the Seattle Municipal Code (SMC), Purchasing Services' rules and procedures, industry performance standards, and literature on public sector purchasing;
- interviewed the Purchasing Manager, buyers, personnel associated with the Seattle Finance Management System (SFMS) and the SFMS redevelopment project;
- developed, with Purchasing Services, a survey instrument (see Addendum B) that was disseminated to 253 internal City customers to measure their satisfaction with current purchasing practices and performance;⁸
- analyzed 1996 purchase order data provided by Purchasing Services to determine the number of days between the date purchase order requisitions were received and the date the contracts for each were awarded;
- reviewed Purchasing Services' work program for 1994-1996;
- reviewed the direct voucher purchases made over the 14 month period

⁸ Sixty-three (25 percent) of the 253 survey recipients returned completed surveys.

from January 1, 1996 through February 24, 1997 that were in excess of the statutory limit;

- interviewed purchasing personnel from six other local jurisdictions within Washington to obtain comparative data on workload, automation and performance; and
- examined 339 purchase order contract files awarded during the first three months of 1996 and 28 blanket contracts,⁹ and extensions thereof, to determine compliance with purchasing policies and procedures

We focused primarily on: (1) purchase orders because they predominate among contract types in both numbers of contracts awarded and in total dollar value; and (2) blanket contracts because of past complaints about the number of times some of these contracts were renewed without rebidding, and because a buyer's changing of a blanket contract bid helped precipitate this review. We excluded public works contracts and emergency contracts to narrow our scope, and because public works requirements are vastly different from those governing the purchasing of goods and services. We also did not review internal purchasing processes for individual departments.

In examining purchase order contract files, we developed separate checklists for purchase orders and blanket contracts and, within purchase orders, for different ranges of dollar value to reflect the variations in requirements according to dollar value. The purpose of the checklist was to allow us to track compliance with various mandated policies, such as solicitation of WMBEs and whether the contract was competitively bid and, if not, why. The information listed on the checklist was then entered into spreadsheets for analysis. Of the 339 purchase orders we examined, 83 were awarded for goods in excess of \$25,000 and 256 for goods less than \$25,000.

We performed our work in accordance with Government Auditing Standards.

⁹ These contracts were chosen randomly from the August 9, 1996 list of blanket contracts distributed to all department heads from the Contracting Services Division.

CHAPTER TWO

CHANGES TO THE PURCHASING PROCESS SHOULD IMPROVE THE TIMELINESS OF FILLING PURCHASE ORDER REQUISITIONS

One of the most important issues we worked on with Purchasing Services, as highlighted by customer dissatisfaction, concerned the timeliness with which requisitions are filled. Purchasing Services is taking steps to improve its timeliness. These steps include process changes it has already implemented and others in process or under active consideration. While it is difficult to find benchmarks which are exact comparables, the timeliness of other Washington jurisdictions does suggest that Purchasing can strive for shorter processing time.

Customer Dissatisfaction with Timeliness

Of those who responded to our customer survey, 64 percent expressed dissatisfaction ("dissatisfied" or "somewhat dissatisfied") with the timeliness in filling their purchase order requisitions. Eighty-two (82) percent stated that Purchasing Services often or sometimes required too much time to process requisitions. The concern with timeliness may have translated into the relatively high level of dissatisfaction (51 percent "dissatisfied" or "somewhat dissatisfied") with the overall efficiency of the purchasing process.

The dissatisfaction with untimely purchases does not seem to result from a generalized dissatisfaction with Purchasing Services. Although survey respondents were critical of the length of time needed to process their purchase order requisitions, 65 percent were satisfied or very satisfied with the quality of goods and services they received, and 55 percent, with the prices paid for their goods and services. In addition, 61 percent expressed satisfaction with Purchasing Services' cooperation in meeting their purchasing needs. (Addendum B provides a summary of the responses we received to our survey questions.)

ELIMINATING BARRIERS IN THE PURCHASING PROCESS

Purchasing Services is acting to improve its timeliness in filling purchase order requisitions by identifying and correcting barriers to timely performance. To this end, the purchasing manager and the buyers participated in two four-hour facilitated "brainstorming" sessions two weeks apart in October 1997. These sessions "mapped" the process for issuing purchase orders and blanket contracts, identified barriers impeding the purchasing process and examined possible solutions. As a result, the Purchasing Manager has indicated that Purchasing Services has already implemented

several of these solutions:

- involving clerical support more in the purchasing process;
- using an automated tabulation sheet to speed up buyers' analysis and review of bids;
- procuring additional fax machines to fax bid invitations more quickly,
- developing standard operating procedures and forms for justification of sole-source purchases and distributing them to departments and on the City's In-Web;
- returning inadequate specifications to departments, if the department fails to clarify them in a timely manner;
- participating with the Finance Division and the Parks & Recreation Department in developing and implementing a pilot program to test the feasibility of using credit cards for procurement Citywide. Several jurisdictions across the country have begun using credit cards to purchase basic supplies and thereby reduced paperwork and saved thousands of dollars in staff time.
- developing a "blanket contract team" to manage and administer blanket contracts;
- participating in the Summit Project¹⁰ to assist in developing the purchasing portion of the City's new financial management system, and
- sharing, partnering and balancing the workload better among the buyers.

Purchasing Services is exploring other proposed ways to improve timeliness, including

- distributing additional standard operating procedures and forms to departments and on the City's In-Web;
- creating an "information line" for vendors that will "fax back" information to vendors;
- working with the Risk Manager to speed up insurance review;¹¹
- tightening up commodity distributions to buyers, permitting them to gain "expertise" with certain types of commodities;
- providing buyers with fax modems to send and receive bid invitations.
- working with the National Institute of Government Purchasers to train

¹⁰ The Summit Project is handling the redevelopment of the City's financial management system.

¹¹ In our customer survey, 42 percent of those responding stated that obtaining the necessary insurance information was often or sometimes the cause of purchase delays.

Purchasing Services' buyers in writing specifications. To improve the quality of the specifications Purchasing Services receives from departments, the buyers, in turn, will train department personnel;

- placing “canned” specifications on the City’s In-Web for use by departments;
- requesting departments to designate an appropriate “point person” for purchasing issues;
- requesting departments, where appropriate, to dedicate a person for specifications development; and
- teleconferencing bid openings and bid conferences.

Purchasing Services Striving to Improve Timeliness

Purchasing Services is seeking ways to improve its timeliness. We interviewed via telephone purchasing personnel from 6 local Washington jurisdictions to determine their respective workloads and timeliness in awarding purchasing contracts. We did not, however, review any documentation from these jurisdictions.

As Chart 1 below indicates, all of the six local Washington jurisdictions we interviewed require less time to award contracts than the City, and most required considerably less. The City's Purchasing Services required an average of 36 days to award an “informal” purchase order contract (for goods and services less than \$25,000) and an average of 45 days¹² to award a “formal” contract (for goods and services valued at \$25,000 or more).¹³

Pierce County, which has the most sophisticated automated purchasing system of the jurisdictions we interviewed, can generally complete requisitions that do not require advertising for bids in a couple of days -- an hour or less, if necessary, depending upon how long it takes to get the necessary approvals. Requisitions that require advertising take Pierce County from 14 to 28 days -- particularly noteworthy in light of the requirement that counties must advertise bids at least once 13 days prior to the last day that bids will be accepted.¹⁴

In contrast, the City has to allow only five days between the last bid notice and bid

¹² One buyer included in this analysis was assigned to Seattle City Light. His averages were well below the division’s averages, 10 days for contracts under \$25,000 and 28 days for contracts that exceeded \$25,000. If you remove his numbers from the analysis, then the average jumps to 44 days for the award of contracts under \$25,000 and 49 days for contracts that exceed \$25,000.

¹³ An “informal” contract refers to one in which Purchasing Services may solicit bids without advertising in an “official” newspaper. A “formal” contract is one in which notices inviting sealed bids are published in an “official” newspaper. The notice also states at what time and place the sealed bids received from the bidder will be publicly opened.

¹⁴ RCW 36.32.245(1).

opening.¹⁵

Automation may not be the critical factor in the timely awarding of contracts, however. As Chart 1 shows, jurisdictions without an automated purchasing process (for example, Snohomish County and the City of Tacoma) can also issue contracts more quickly than the City. This suggests that the City's purchasing process, itself, may contribute to the lack of timeliness. For instance, Pierce County is far more decentralized in its purchasing than is the City of Seattle. Its Purchasing Agent must approve all purchases over \$1,000, but for purchases between \$1,000 and \$10,000 departments must solicit three quotes and send them with their choice of vendor to the Purchasing Agent for review and approval. In 1996 Pierce County made more than 3,500 such departmental purchases (in contrast to the 23 informal and 75 formal contracts that the Purchasing Agent developed). Likewise, in Snohomish County, departments may award contracts for items under \$2,500 after soliciting bids and receiving approval (oral) from Purchasing. Another county often avoids the need to award a blanket contract by "piggy-backing" onto another jurisdiction's blanket contract.

CHART 1

Comparison of Jurisdictions¹
Average Time to Award Contracts
(1996)

JURISDICTION	AUTOMATED?	NO. OF CONTRACTS		NO. OF BUYERS FTE	AVERAGE TIME TO AWARD (IN DAYS)	
		Informal ²	Formal ³		Informal	Formal
City of Seattle	No	920	269	10	36	45
City of Tacoma ⁴	No	300	85	2	2	14
City of Spokane ⁵	No	NA		4	1-21	35-42
King County	Yes	3,396	700	11	21	28
Pierce County	Yes	23 ⁶	75	2	1-7	14-28
Snohomish County	No	208	69	3	3-7	14
Spokane County ⁷	Yes	NA		3	2	30

¹ Information from other jurisdictions was gathered via telephone interviews and we did not review any documentation from the other jurisdictions.

² An "informal" contract is one in which bids may be solicited without advertising in an "official" newspaper.

³ A "formal" contract is one in which notices inviting sealed bids are published in an "official" newspaper. The notice also states at what time and place the sealed bids received from the bidder will be publicly opened.

⁴ Tacoma's numbers include public works contracts, but do not include purchase order contracts for the Tacoma Public Utilities.

⁵ The City of Spokane could only give an aggregate number of purchases, which totaled 3,556 "buyer-related" purchases.

⁶ Pierce County also had over 3,500 "departmental" purchases, in which the departments solicit bids for purchases between \$1,000 and \$10,000. The Purchasing Agent only reviews and approves these purchases.

⁷ Spokane County could only give an aggregate number of purchases, which totaled 504.

ACTION PLAN

¹⁵ Seattle Municipal Code 3.18.806(A).

1. Purchasing Services has recently designated a clerical support staff to respond to and research blanket contract inquiries. Purchasing Services will, during the first quarter of 1998, determine additional duties to be performed by clerical staff rather than buyers at the initial stages.
2. To speed the process of delivering invitations to bid to vendors, Purchasing Services has procured an additional fax machine.
3. Sole source Standard Operating Procedures (SOPs) and forms have been completed and distributed to departments, both on hard copy and via the City's in-web. Purchasing Services will continue to develop and distribute additional SOPs throughout 1998.
4. During year-end, Purchasing Services is returning inadequate specifications to departments after 2 weeks if clarification is not received from the departments within that timeframe.
5. Purchasing Services is participating with the Finance Division and the Department of Parks and Recreation to conduct a six-month pilot procurement card project. The pilot is currently scheduled to begin in January 1998. Within 60 days of the conclusion of the pilot, Purchasing Services will determine, from its standpoint, the feasibility of expanding a procurement card program City-wide.
6. Purchasing Services is currently working towards better balancing the workload among buyers, and will continue to monitor workload levels as part of its overall management workplan.
7. Purchasing Services is exploring the creation of an "information line" after analyzing the new fax-back system to be implemented in the first quarter of 1998.
8. Purchasing Services will be distributing requisitions to buyers based upon commodity beginning the first quarter of 1998.
9. Purchasing Services will determine the feasibility of providing each buyer with a fax modem, for faxing out and for receiving by fax invitations to bid, by the end of the first quarter of 1998.
10. Purchasing Services will schedule a specifications training with the National Institute of Government Purchasers (NIGP) for the second quarter 1998. By the third quarter of 1998, Purchasing Services will begin training departments in specification writing, and request that departments designate an appropriate "point person" for specifications.
11. As part of its specifications training, Purchasing Services will place "canned"

specifications on the City's in-web after completing its initial specifications training sessions with departments.

12. Purchasing Services will explore the feasibility of teleconferencing bids conferences and bid openings. It will complete this study by third quarter of 1998.

13. Prior to the end of the first quarter 1998, Purchasing Services will request departments to designate an appropriate "point person" for purchasing issues.

CHAPTER THREE

PURCHASING SERVICES IS REVISING AND UPDATING ITS PURCHASING RULES

A significant concern to us when we started this project was Purchasing Services' lack of up-to-date written guidance. Good management practices, as highlighted in such widely accepted quality criteria as the Malcolm Baldrige Award or ISO 9000, emphasize the need for up-to-date written policies and procedures manuals. This is especially true for functions that have many legal requirements with which buyers must contend.

Purchasing Services has already started overhauling its written guidance. Steps it has already taken or will soon take include:

- developing an up-to-date and consistent operating manual for buyers and a purchasing guidance for user departments;
- updating the direct voucher rule;¹⁶
- revising its current WMBE (Women and Minority Business Enterprise) implementation plan and adopting it as a formal rule under the City's Administrative Code;
- establishing a blanket contract team to evaluate and improve blanket contract practices and to promulgate these practices in a formal rule; and
- revamping all other rules pertaining to purchasing as part of the purchasing reengineering process currently underway in anticipation of the new PeopleSoft-based financial management system.

The recent issuance of purchasing guidance outside the normal rule-making process may point to a need to develop a mechanism for temporary promulgation of policy changes.

Developing an Operating Manual for Buyers

As part of its 1997 work plan, Purchasing Services will continue developing an operating manual for buyers to provide them with consistent and up-to-date guidance in a single source and formally approved, where necessary, as rules under the City's Administrative Code. The need for such authoritative guidance is considerable. Many of the purchasing rules adopted by the City over time are currently inconsistent with the Seattle Municipal Code, with existing purchasing policy and procedure, and

¹⁶ Rule 97-2.

with one another. In addition, most purchasing policies and procedures are out of date, referring to officials and agencies no longer in existence.¹⁷ For example:

- A 1978 Department Policy & Procedure¹⁸ which instructs buyers on preparing bid invitations has never been updated to reflect the changes in competitive bid limits that have occurred over the past 19 years, including two since 1991. This procedure also instructs buyers on purchases of items under \$1,000; however, purchases under \$1,000 have been delegated to departments since 1992;¹⁹
- With one exception all of the formally adopted rules currently in force refer to the authority and responsibilities of the City Purchasing Agent, a position that has not been in existence since January 1992;²⁰
- One rule, only recently changed, gave the Office of the Comptroller responsibility for auditing compliance with its provisions and reporting any violations.²¹ However, a charter amendment passed in November 1991 abolished the Office of City Comptroller, effective January 1993.

Because many purchasing policies and procedures are out-of-date, potential users tend to hold them in low regard. In our purchasing survey, 48 percent of respondents indicated they did not know whether their department had ever received written purchasing rules and guidelines from Purchasing Services.²² One buyer indicated to us that the purchasing rules had limited value because they were so outdated. Another buyer said he did not even have a copy of the rules. Still another said that he reviewed the City ordinances when he was hired but not the rules.

Purchasing Services has already completed several operating procedures and will complete several more by the end of the first quarter of 1998. Purchasing Services plans to continue the process throughout 1998. In addition, we urge Purchasing Services to develop a purchasing guide applicable to user departments and to distribute it to departments and place it on the City's In-Web system by the end of 1998.

¹⁷ The legality of these "out of date" rules is not at issue. Rather our intent is to note the lack of periodic review and update, or, the recognition by Purchasing Services that a rule is out of date. This recognition is reflected in Purchasing Services' adoption of internal procedures that change but do not supersede the earlier rules.

¹⁸ Rule 109P-009

¹⁹ Rule 92-4

²⁰ Rule 92-4

²¹ Rule 92-4

²² We also asked survey respondents if their respective departments had written purchasing policies applicable to their personnel. Twenty-seven (27) percent said yes and 27 percent said no, while 46 percent did not know if their own department had written purchasing policies applicable to them.

Issuing Updated Rule for Direct Vouchers

Purchasing Services has recently updated its rule governing direct vouchers.²³ This update formally incorporates many of the changes in policies and procedures which it originally promulgated in August 1994 by memorandum. It also reflects the recent increase in the direct voucher limit. The August 1994 memorandum from the Contracting Services Division's Vendor Relations Section to financial managers and accounts payable staff created a conflict with a 1992 rule setting out City policy and department responsibilities for the purchase of goods and services under \$1,000 by direct voucher.²⁴ The memorandum included eight exceptions to the \$1,000 direct voucher limit that did not appear in the rule and did not include one of the exceptions that did appear in the rule.²⁵

Adopting a Revised WMBE Plan

With the publication of the new WMBE disparity study, Purchasing Services will revise its current WMBE implementation plan accordingly and adopt it as a rule pursuant to the City's Administrative Code.²⁶ In May 1994, the City Council passed an ordinance requiring affirmative efforts to solicit bids from Women and Minority Business Enterprises (WMBEs) when purchasing goods and services costing \$1,000 or more.²⁷ The ordinance directs the Director of Administrative Services to adopt rules and regulations in accordance with the City's Administrative Code to establish standards and procedures for effectively carrying out the City's WMBE program.²⁸ Although Purchasing Services revised its WMBE Implementation Plan in July 1994 to carry out this new policy, the revised Plan was not adopted as a rule pursuant to the City's Administrative Code.

New Blanket Contract Practices

Purchasing Services has recently re-established a blanket contract team and as soon as feasible this team will evaluate current blanket contract practices, recommend changes, and promulgate up-to-date and consistent policy and procedures as a rule pursuant to the City's Administrative Code.²⁹ Such guidance is badly needed. Procedures in a July 1995 memorandum to buyers from the Purchasing Services'

²³ Rule 97-2

²⁴ Rule 92-4

²⁵ Rule 92-4, Section 4.5

²⁶ Currently scheduled to be completed in the second quarter of 1998.

²⁷ Seattle Municipal Code 20.46A.300

²⁸ With the merger of the Departments of Finance, Personnel and Administrative Services to form the Executive Services Department, "Director" would now refer to the Director of the Executive Services Department.

²⁹ The Team has developed a draft planning document to guide its work.

Blanket Contract Team conflicted with an already existing rule. The rule states that blanket contracts “shall be awarded for a period of one year with the option to renew for three additional years by mutual consent.”³⁰ The 1995 memo states that the terms of a blanket contract will be at the “buyer’s discretion” and provides guidelines which conflict with the rule. Examples include the following:

- “volatile, highly competitive” contracts will require a minimum one year and maximum three year term;
- “sole source & convenience” contracts shall not exceed five years;
- “janitorial and public works” contracts must be issued with a one year term, with options to renew annually for up to four years; and
- “DP equipment/hardware and software” contracts will require a maximum term of two years.

Revising Other Rules

Purchasing Services plans to revise all other rules pertaining to purchasing as part of the purchasing reengineering process currently underway. Purchasing Services is helping to reengineer the purchasing process in anticipation of implementing the PeopleSoft-based financial management system. Purchasing Services plans to adopt, where appropriate, any new rules that result from this reengineering process pursuant to the City’s Administrative Code.

TEMPORARY PROMULGATION AUTHORITY MAY BE NEEDED

The Seattle Municipal Code states that City employees³¹ may only contract for purchases in accordance with rules and regulations that the Director of Executive Services Department has adopted in accordance with the City’s Administrative Code.³² In 1984 the Purchasing Agent approved a series of rules pursuant to the City’s Administrative Code. These included rules that govern the award of emergency contracts³³ and blanket contracts,³⁴ and the preparation of a purchase requisition,³⁵ among others. In 1992, the Director of Administrative Services approved a rule, pursuant to the City’s Administrative Code, for direct voucher

³⁰ Rule P005-84

³¹ SMC 3.18.802 states: “No city officer or employee shall have the authority to order or contract for the purchase of any supplies, materials, equipment, or service within the purview of this subchapter except through, or in accordance with rules and regulations prescribed by the Director of [ESD.]”

³² SMC 3.18.040(D) states: “In order to carry out departmental functions, the Director of [ESD] shall have the power to . . . [p]romulgate rules and regulations in accordance with the City’s Administrative Code . . . as deemed necessary and proper.”

³³ Rule P004-84.

³⁴ Rule P005-84.

³⁵ Rule P007-84.

purchases.³⁶ Since 1994, Contracting Services has implemented purchasing procedures, outside the scope of the City's Administrative Code, that conflict with two of these rules, but which do not technically supersede them.³⁷

This is not only inconsistent, in our opinion, with the provisions of the Seattle Municipal Code, but also eliminates an opportunity for City officials, decision-makers and outside customers to review and comment on changes in purchasing practices. The recent procedures implemented by Purchasing Services significantly impact both internal and external customers. At the same time the development of policy and procedures outside the time-consuming rule-making process suggests the need for some mechanism to promulgate temporary guidance in response to changes in the City's purchasing environment.³⁸ The City may wish to authorize departments to promulgate temporary (i.e., 90 day, 180 day) guidance pending formal changes to rule.³⁹ Copies would be sent to the City Council, the City Clerk, the Office of Management and Planning, and to all department directors, and made available to the public.

³⁶ Rule 92-4.

³⁷ Examples include the changes in procedures for awarding blanket contracts and the additional exceptions to direct voucher limits (discussed above), the emergency procedures addressing a backlog of purchase order requisitions, and procedures to implement WMBE (see Chapter Five).

³⁸ An early draft of Rule 92-7 was distributed to various account payable employees at a November 4, 1996 meeting. A proposed Rule 97-2 was distributed to department heads on March 11, 1997, with a request that comments be delivered to Contracting Services by March 31, 1997. The adopted Rule 97-2 was finally distributed City-wide on September 15, 1997, effective October 1, 1997. According to Purchasing Services, it took over one year to issue the revised direct voucher rule due to significant review and comment processes.

³⁹ The City's Administrative Code permits "emergency" action by a department when necessary for the immediate preservation of the public peace, health or safety. These "temporary" rules would address those occasions where quicker action is needed but that do not rise to the level of an "emergency." (SMC 3.02.050.)

ACTION PLAN

1. Purchasing Services has already completed several SOPs and will complete several more by the end of the first quarter 1998 for inclusion in a buyer's manual. In addition, Purchasing Services will develop and distribute a purchasing guide for the newly delegated small public works authority by April 1, 1998.
2. The latest WMBE disparity study is scheduled to be completed in the second quarter of 1998. Purchasing Services will revise its current WMBE Implementation Plan accordingly and adopt it as a rule pursuant to the City's Administrative Code. Purchasing Services will circulate a draft WMBE rule for comments and adopt the rule in 1998.
3. The Blanket Contract Team has completed its review of the City's blanket contract files. By the end of the fourth quarter of 1998, Purchasing Services will circulate for comment a draft rule that amends current practices and formally supersedes the rule currently in effect, but no longer followed.
4. Concurrent with the reengineering of the purchasing process that is underway as part of the redevelopment of the City's financial management system, Purchasing Services will revise rules that are currently in effect, but outdated. The new automated purchasing module is scheduled to go on-line in July 1999. Purchasing Services will circulate for comments draft rules by the end of 1999.
5. Purchasing Services will investigate, with the assistance of the Law Department, the feasibility of authorizing departments to promulgate temporary rules pending the completion of the formal rule-making process. Purchasing Services will complete this study by the end of the fourth quarter of 1998.

CHAPTER FOUR

PURCHASING SERVICES MAY HAVE VIOLATED COMPETITIVE BIDDING REQUIREMENTS IN ITS EFFORTS TO REDUCE ITS BACKLOG OF PURCHASE ORDER REQUISITIONS

During our work with Purchasing Services, we identified an action which potentially may have violated competitive bidding requirements. In October 1996, in response to a large backlog of purchase order requisitions, Purchasing Services, with the approval of the Contracting Services Director and Director of DAS, established several emergency procedures to expedite the acquisition of needed goods and services.⁴⁰ These procedures remained in effect through February 1997, and may have violated provisions of the Seattle Municipal Code.⁴¹ The questionable procedures included:

- waiving the Seattle Municipal Code's competitive bidding requirements to allow: a) soliciting informal bids, rather than formal sealed bids, for goods and services over \$25,000;⁴² and b) soliciting only one bid, rather than three, for goods and services under \$25,000;⁴³ and
- expanding, the Seattle Municipal Code's "open market" limit to permit departments to purchase goods and services under \$10,000 via direct voucher.

Waiving Competitive Bidding Requirements

The Code exempts purchases over \$25,000 from the formal bid process if the Director of Administrative Services deems competitive bidding "impracticable."⁴⁴ While we find no legislative history or case law that would prohibit citing a backlog of purchase order requisitions as justification for finding competitive bidding "impracticable," it appears to us that the language of the Code views this "impracticability" as arising only from market circumstances (for example, unique specifications, exclusive patents), not from circumstances (like workload backlog) that arise from the actions of Purchasing Services and City departments. Otherwise, Purchasing Services or City departments could allow such "impracticable" situations

⁴⁰ According to Purchasing Services, as of October 1, 1996, 60 percent of open requisitions were older than 6 weeks. Due to both a crash of Purchasing Services' old computer system and the new system not yet being fully on-line with its reporting capabilities, a guess by the then Purchasing Manager set the backlog as of February 7, 1997 at 82 percent of open requisitions older than 6 weeks.

⁴¹ The emergency procedures applied to discrete, non-complex, readily available goods and basic services that have little deviation in pricing and do not require payment of insurance or prevailing wages.

⁴² Seattle Municipal Code 3.18.806(A)

⁴³ Seattle Municipal Code 3.18.810

⁴⁴ Seattle Municipal Code 3.18.806(A)

to develop to avoid the competitive bidding requirements.

The Seattle Municipal Code also requires three competitive bids for purchases under \$25,000 "to the extent possible."⁴⁵ Again, it appears that the Code addresses impossibilities that arise from the market situation, not difficulties that result from workload pressures.

Purchasing Services did not separately track the contracts it awarded under these "emergency procedures," but officials told us it did not award any contract in excess of \$25,000 under these emergency procedures. Determining which contracts under \$25,000 Purchasing Services were awarded under the emergency procedures would require reviewing buyer annotations in each of the 173 contracts Purchasing Services awarded between October 1, 1996 and February 24, 1997.

Expanding the Open Market Limit

To help Purchasing Services reduce its requisition backlog, in October 1996 the Director of Contracting Services approved, as part of the emergency procedures discussed previously, a temporary increase in the open market limit under which departments may secure items by direct voucher without bids to \$10,000. Until November 1996, however, the "open market" limit as stated in the Seattle Municipal Code was \$1,000.⁴⁶ This was the second increase to the open market limit by Contracting Services without formal amendment to City ordinance.⁴⁷ Contracting Services based its actions on an August 1994 memorandum from the Contracting Services Division's Vendor Relations Section to financial managers and accounts payable staff. The memorandum set forth exceptions to the Code's \$1,000 limit, including "special amounts approved by Contracting Services."⁴⁸

The Code's language is unambiguous and does not appear to permit direct voucher purchases in excess of its statutory open market limit. The Code states that items may be secured in the open market "without bids . . . the cost of which will not exceed . . . \$1,000.00 per item."⁴⁹ We believe that the direct voucher exception for "special amounts approved by Contracting Services" should be re-evaluated.

In a variant of simply allowing departments to purchase items up to \$10,000 by direct voucher, Contracting Services also delegated to a City Light employee the authority to waive the direct voucher limit for particular City Light purchases under \$10,000. However, if Contracting Services does not have the authority to approve "special

⁴⁵ Seattle Municipal Code 3.18.810.

⁴⁶ Seattle Municipal Code 3.18.812.

⁴⁷ Contracting Services had earlier (January 1996) raised the limit to \$5,000.

⁴⁸ In November 1996, the City Council did act to increase the open market limit, but only to \$5,000. Seattle Municipal Code 3.18.812 was amended in October 1996 to raise the open market limit to \$5,000. The new limit became effective in November 1996, 30 days after the Mayor signed the bill.

⁴⁹ Seattle Municipal Code 3.18.812.

amounts” in excess of the Seattle Municipal Code’s statutory direct voucher limit, it cannot delegate such authority to an individual in another department. In addition, we believe that under the Seattle Municipal Code purchasing authority may not be delegated unless a) the Director of Administrative Services adopts a rule or regulation permitting delegation of purchasing authority to an employee outside of Purchasing Services⁵⁰ or b) the City Council approves such delegation through ordinance.

Our review of SFMS records indicates that 369 purchases were made via direct voucher that were in excess of the Seattle Municipal Code’s open market limit. All of these “exceptions” to the open market limit were coded as “special amounts approved by Purchasing Services.” These 369 purchases were valued at roughly \$1.1 million with the largest purchase in excess of \$38,000.⁵¹

ACTION PLAN

If, in the future, Contracting Services believes emergency procedures are necessary to address a backlog of requisitions within Purchasing Services, it will seek approval from the City Council for any actions it believes necessary to relieve the backlog.

⁵⁰ Seattle Municipal Code 3.18.030(J).

⁵¹ This amount was for expenses incurred by the Seattle Center for its community celebration for the opening of Key Arena in October 1995. According to a Seattle Center official, he was instructed to code the purchase as a “DX33” (“special amount approved by Purchasing Services) by Purchasing Services.

CHAPTER FIVE

PURCHASING SERVICES IS IMPROVING ITS CONTRACT DOCUMENTATION AND CONTROLS OVER SEALED BIDS

Part of our work with Purchasing Services included reviewing its management of blanket contracts. Purchasing Services has recently taken several actions to improve its documentation of purchase orders and blanket contracts. These actions include

- developing a documentation checklist to include in each purchase order and blanket contract file; and
- assigning the identifying number of the basic blanket contract to its extensions so as to keep all related documents in the same file.

Purchasing Services has also recently developed and implemented a separate receipt log for sealed bids and is exploring ways to keep sealed bids in a locked, access-restricted area.

NEW DOCUMENTATION CHECKLIST TO IMPROVE DOCUMENTATION

Purchasing Services, with the assistance of our Office, is currently developing a documentation checklist to include in each purchase order and blanket contract file to ensure that buyers include all necessary documentation in the file. The checklist will provide an opportunity for the buyer to note a) the basis on which the buyer chose the vendor (whether by competitively bid or other means), b) the extent of WMBE participation or efforts to obtain WMBE participation,⁵² and c) the names of witnesses to public bid openings. For these purposes, the documentation checklist will replace the bid tabulation sheet, which in the past remained with the buyer until receipt of the goods or services. Using this checklist will constitute a major step toward resolving the following documentation weaknesses we found in the course of our review:

- inadequate documentation of compliance with competitive bidding requirements;
- inadequate documentation of compliance with WMBE requirements;
- untimely filing of contract documentation; and
- inadequate documentation of “public” bid openings.

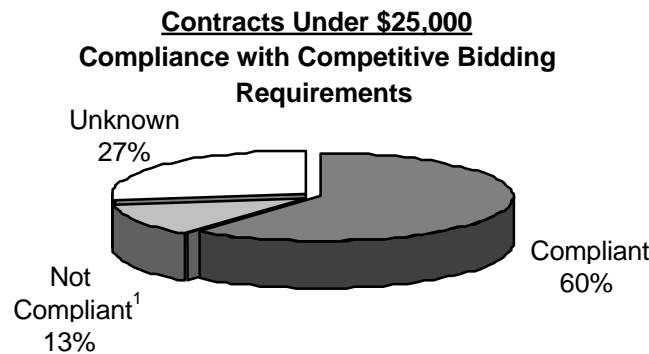
⁵² Buyers will include the Standard Industrial Code numbers of industries the buyer checked for WMBE vendors

Compliance with Competitive Bidding Requirements

The Seattle Municipal Code requires soliciting at least three competitive bids for most purchases of goods and services under \$25,000,⁵³ and with certain exceptions, the Seattle Municipal Code requires competitive bids for purchases of goods and services in excess of \$25,000.⁵⁴ In order to determine compliance with competitive bidding requirements we relied upon documentation contained in the contract files.

Contracts Under \$25,000. We were able to determine that 154 (60 percent) of the 256 contracts we reviewed for purchases under \$25,000 complied with competitive bidding requirements, 32 contracts (13 percent) did not⁵⁵, and for 70 contracts (27 percent) we were unable to determine compliance due to insufficient documentation. (See Figure 1 below.)

Figure 1



Contracts Over \$25,000. Our review showed that 68 (82 percent) of the 83 contracts we reviewed for purchases over \$25,000 complied with competitive bidding

⁵³ Seattle Municipal Code 3.18.810. (The ordinance requires “that to the extent possible” at least three bids are to be solicited.)

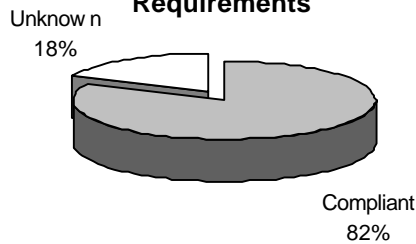
⁵⁴ Seattle Municipal Code 3.18.806. (Examples that would not require competitive bidding include patented or proprietary items available from a single source.)

⁵⁵ For these 32 files Purchasing Services did not solicit three bids pursuant to its July 1994 “WMBE Implementation Plan,” which instructed Purchasing Services buyers on the procedures for implementing a City ordinance regarding WMBEs. This ordinance required solicitation of at least one WMBE bid when purchasing goods and services valued at \$1,000 or more. For items between \$1,000 and \$5,000, the Purchasing Services memorandum states that: “Purchasing buyers must solicit a minimum of one quote. A minimum of one (1) quote shall be solicited from a certified WMBE supplier, where available.” Purchasing Services interpreted this language as permitting it to solicit only one bid for purchases under \$5,000. Given its context, the language in the City ordinance clearly intends that at least one of the three bids solicited must be from a WMBE, not that buyers are to solicit only one bid for such items. This issue is now moot in that departments may now purchase goods and services up to \$5,000 in value directly, rather than going through Purchasing Services.

requirements and for 15 contracts (18 percent) we were unable to determine compliance due to insufficient documentation. (See Figure 2 below.)

Figure 2

Contracts Over \$25,000
Compliance with Competitive Bidding Requirements



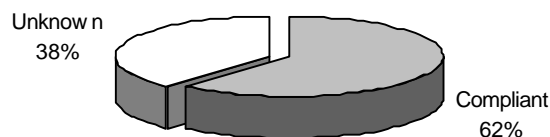
Compliance with WMBE Requirements

Effective July 1994 the Seattle Municipal Code has required buyers to make affirmative efforts to solicit bids from WMBEs when purchasing goods and services which equal or exceed \$1,000 in value.⁵⁶ As we did to determine compliance with competitive bidding requirements, we relied upon the documentation contained in the files to determine compliance with WMBE requirements.

Contracts Under \$25,000. Our review determined that 158 (62 percent) of the 256 contracts we reviewed for purchases under \$25,000 complied with WMBE requirements, and for 98 contracts (38 percent) we were unable to determine compliance due to insufficient documentation. (See Figure 3 below.)

Figure 3

Contracts Under \$25,000
Compliance with WMBE Requirements



⁵⁶ Seattle Municipal Code 20.46A.300.

Contracts Over \$25,000. We were able to determine that 49 (59 percent) of the 83 contracts we reviewed for purchases in excess of \$25,000 complied with WMBE requirements and due to insufficient documentation we were unable to determine compliance for the remaining 34 contracts (41 percent.) (See Figure 4 below.)

Figure 4



Contract Documentation

During our review of contract files, missing or insufficient documentation made it difficult to determine compliance with both competitive bidding and WMBE requirements. Contract files frequently lacked the bid tabulation sheet which is used by buyers to document their actions taken to comply with key purchasing policies and procedures. For example, in our review, during the last quarter of 1996 and the first quarter of 1997, 55 percent of the contract files for purchase orders issued in the first quarter of 1996 did not yet contain the tabulation sheet.⁵⁷ The missing documentation is generally due to delays in filing tabulation sheets in the contract files rather than to non-existent documentation, and Purchasing Services was able to provide 84 percent of the missing documents not in the purchase order contract file at the time of our review.⁵⁸

Two factors contribute most heavily to the delays in filing the bid tabulation sheets. First, buyers keep the tabulation sheets at their desks until they receive notification verifying that the requisitioning department has received and accepted the item purchased. Second, buyers place a low priority on moving these documents from their desks to the contract files after verification of acceptance.

Another factor that made it difficult to determine compliance, even with a tabulation

⁵⁷ One percent of the files contained no documents at the time of our review, other than a copy of the purchase order contract.

⁵⁸ It is equally critical that buyers provide documentation that is understandable to a reviewer. For some of the purchase orders we reviewed it was not always clear what action had been taken because the buyer's handwritten documentation of the action was not legible.

sheet the file, was incomplete documentation indicating a reason either for not competitively bidding a contract or for not soliciting a WMBE. Twelve percent of the contract files containing a tabulation sheet did not indicate a reason for not competitively bidding the contract, and 31 percent of the files containing a tabulation sheet did not indicate a reason why a WMBE was not solicited.

Missing and incomplete documentation undermines good internal controls, which dictate that the Purchasing Manager be able to monitor buyers' compliance with purchasing policies and procedures and the reasons for any buyer deviations from policy. Timely, and complete, documentation is critical to this monitoring. Using a documentation checklist to document key compliance items and keeping it with the contract file will ensure more timely and more accurate documentation of buyer actions, and make supervisory review much easier.

Documentation of "Public" Bid Opening

When we began our audit, buyers were not noting in the purchase order documentation the name of the witness to the opening of bids. This notation documents that Purchasing Services opened the bids "in public," as the Seattle Municipal Code requires.⁵⁹ If members of the public are present at the bid opening, the buyer asks them to sign-in and includes that documentation in the contract file. If no members of the public appear, the buyer must find another person to "witness" the bid opening, generally a co-worker. After we began our audit, buyers received instructions to note in the file the name of the individual who witnesses the bid opening. In the future, buyers will have the witness sign in the appropriate place on the documentation checklist.

Documentation for Blanket Contracts

According to the former Purchasing Manger, Purchasing Services now uses the same contract number throughout the life of a blanket contract, including all extensions.⁶⁰ This simple change in practice will greatly improve internal controls by keeping all documents related to the same contract in the same file, making review and administration simpler and more efficient.

Until the end of 1996, Purchasing Services often gave each blanket contract extension a new number. This practice made review difficult because, as blanket contracts were extended and given new numbers, Purchasing Services did not place the original documentation in the new file. Although the new files referred to prior extensions or

⁵⁹ Seattle Municipal Code 3.18.806(C).

⁶⁰ Blanket contracts are contracts issued for the purchase of items needed continuously or repeatedly, the price of which is determined by a published price list. The City currently has 1,101 active blanket contracts and 51 pending new blanket contracts, for such various commodities as traffic control devices, janitorial services, medical supplies, veterinary services, maintenance of copiers, and printing services.

the original contract, the files for the third generation back generally had been archived and were not easily available for review. In our case, only three of the 28 blanket contract files we reviewed seemed to contain all of the documents related to that particular contract. This made it difficult to draw with confidence conclusions as to compliance with applicable ordinances and rules. For example, for eight contracts we could not determine from the file whether or not the contract was competitively bid. Purchasing Services was able to provide further information for six of these contracts. It appears from the information that we were able to review that 13 (46 percent) of these 28 contracts were competitively bid, 13 (46 percent) were not, and for 2 contracts (7 percent) we were unable to make any determination due to insufficient documentation.

All but one of the blanket contracts we reviewed were awarded either prior to the 1994 amendment requiring solicitation of WMBEs for purchases of goods and services in excess of \$1,000 or were extensions of contracts awarded prior to the amendment.⁶¹ For the one contract awarded after the amendment we were able to determine that a WMBE was solicited. In addition, WMBEs were solicited in at least 2 contracts awarded prior to the 1994 amendment.

Supervisory Review of Contract Files

During our review of Purchasing Services, we noted that training of new buyers was uneven, there was no up-to-date manual for buyers, and that supervisory review of contracts was sporadic. Purchasing Services is working to alleviate these issues.

Training and Buyers Manual. All buyers in Purchasing Services are now attending twice monthly training sessions with an attorney from the Law Department to discuss contracting issues and to increase their knowledge of legal issues regarding standard contracting procedures and risks. Purchasing Services is also in the process of updating its buyers' manual.

Supervision. Each buyer, depending upon his or her level, has authority to commit the City up to a certain dollar limit, and anything over that amount must be approved by the next level up.⁶² The former purchasing manager indicated that she would spot-check invitations to bid for high dollar items, politically sensitive contracts, or unique items. For any contract that required her signature she would "spot check" the tabulation sheet, but would not do a thorough review of the file. A principal buyer indicated that supervisors "might" do a cursory review, but the more experienced a buyer, the less chance a tabulation sheet would be reviewed. Another supervisor and

⁶¹ Ordinance 117159, amending Seattle Municipal Code Chapter 20.46A, was passed by the Council on May 31, 1994, and became effective on July 7, 1994.

⁶² For example, a buyer may commit the City to a contract up to \$25,000, a senior buyer may commit the City to a contract up to \$50,000, a principal buyer may commit the City to a contract up to \$100,000, the purchasing manager may commit the City to a contract up to \$1 million, and the Director of Contracting Services may commit the City to a contract over \$1 million.

several buyers indicated that if the contract limit is within their respective delegated authority, there would be no pre-award review of the file.

We also determined during our audit that there is no review of contract files once the contract has been awarded. We believe that good internal controls mandate appropriate and reasonable pre-award and post-award review of contracts. Upon our recommendation, Purchasing Services will conduct “spot” reviews of post-award contracts to ensure compliance with applicable laws and procedures. The documentation checklist will provide notice of supervisory review.

IMPROVING CONTROLS OVER SEALED BIDS

Upon the recommendation of our Office, Purchasing Services has recently developed and implemented a separate receipt log for sealed bids and is exploring ways to keep sealed bids in a locked, access-restricted area. These actions are necessary to maintain the integrity of the City’s competitive bidding process.

The Seattle Municipal Code requires vendors to submit sealed bids for items over \$25,000.⁶³ During our review we learned that upon receipt, Purchasing Services would time-stamp the sealed envelope to document timely receipt, but did not record the receipt in a separate log. Without a separate receipt log Purchasing Services had no way to ensure that it had opened all of the bids it had received.

Officials of King County’s Purchasing Office told us the County maintains a log of the sealed bids it receives. They said the log serves as a good internal control to promote integrity and fairness in the bidding process. They cited the rare instances in which the number of bids they were going to open did not match the number of bids they had recorded in the log. These mismatches alerted the County to the misplacing of a sealed bid, generally with bids for an unrelated proposal.

Prior to formal openings, Purchasing Services keeps sealed bids received either on a shelf behind a support staff’s desk or at the assigned buyer’s desk. Storing sealed bids in this manner is not a prudent business practice because the bids could be misplaced or lost if not kept in a locked, access-restricted area. Purchasing Services is exploring ways to alleviate this situation and will report back to the Audit Office by the end of the first quarter, 1998.

⁶³ Seattle Municipal Code 3.18.806(B).

ACTION PLAN

1. The documentation checklist currently being finalized should improve the documentation of compliance with City ordinances, and permit easy supervisory review of completed contract files. Purchasing Services will begin using the documentation checklist in April 1998.
2. Purchasing Services has developed and is currently using a separate receipt log for sealed bids received from bidders.
3. Purchasing Services is exploring a method to keep sealed bids in a locked, access-restricted area. Purchasing Services will report its progress to our Office by the end of the first quarter 1998.

CHAPTER SIX

PURCHASING SERVICES HAS STARTED TO IMPROVE MONITORING AND MANAGEMENT OF BLANKET CONTRACTS

Purchasing Services has recently established a new Blanket Contract Team to improve monitoring and management of blanket contracts by

- identifying contracts that need extending, rebidding, or other administrative action;
- updating the listing of current and expired contracts on the City's In-Web;
- reviewing other jurisdiction's blanket contracts that are available for the City's use; and
- reviewing policies and procedures for issuing blanket contracts and the number of contracts which individual buyers are responsible for monitoring.

Identifying Contracts Needing Corrective Action

The Team, consisting of three buyers, has already finished reviewing all of the blanket contract files and, in addition to current and pending contracts, has identified blanket contracts that

- have expired but are still inappropriately in use (62);
- have expired and need extending (179);
- have expired and need to be re-bid (179);
- are still current but will soon need formal extension (198);
- are current and need to be re-bid (1,063); and
- are pending (65).

Closer management, which will be provided by the Team, is needed for blanket contracts. For example, our review of blanket contracts showed that Purchasing Services had

- extended three contracts for five years, after the initial one-year award;
- "renewed" one of the above (without rebidding) under a new contract number for a total of four additional years;
- extended one for four years after the initial one-year award; and
- extended one contract for five years after the initial one-year period, and then

under a new contract number, and without rebidding, awarded the same contract for a total four additional years.

The 1984 rule that governed these contracts stated that contracts were to be awarded for a period of one year with the option to renew for three additional years.⁶⁴ In the past, Purchasing Services has been criticized for the length of time it has extended blanket contracts without rebidding.⁶⁵

Updating the In-Web Listing of Blanket Contracts

Purchasing Services provides a list of all blanket contracts on the City's In-Web, separately listing expired and current contracts. This list, however, is currently out of date. Now that the Blanket Team has completed its review of the blanket contract files, it will be able to place a list of current, available contracts on the In-Web.

Reviewing Blanket Contracts Available from Other Jurisdictions for City Use

Prior to recommending the renewal or rebidding of any of the City's blanket contracts, we urge the Blanket Contract Team to review the blanket contracts that other jurisdictions, particularly the State of Washington, have already awarded and made available for the City's use. The City currently purchases both paper and some vehicles off of state blanket contracts. However, the State of Washington has over 300 blanket contracts available for local jurisdictions to use. It may be considerably more cost-effective, with savings both in staff time and in pricing, for the City to use these blanket contracts rather than award its own, perhaps to the very same vendors.

Reviewing Policy and Procedures

As part of its action plan, the Blanket Contract Team also will review the rules and procedures governing the award of blanket contracts and recommend changes, and if appropriate, adopt these changes as a rule pursuant to the City's Administrative Code.

⁶⁴ Rule P005-84, Section VII, A, 6.

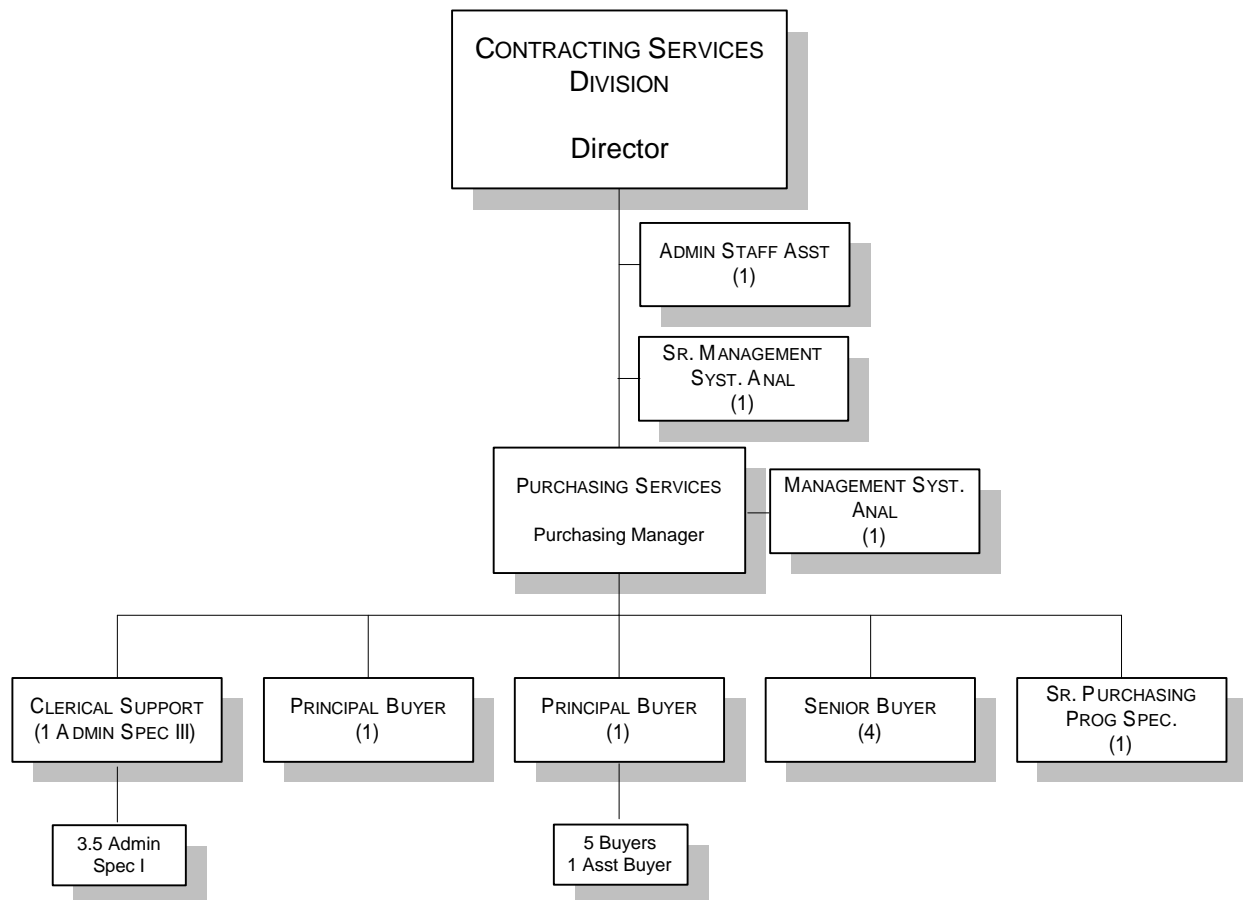
⁶⁵ "Controls Lax in Seattle's Purchasing Department," Seattle Times, October 1996.

ACTION PLAN

1. Purchasing Services has distributed to departments via e-mail a current list of blanket contracts available for use. This list will be available on the City's In-Web by May 1, 1998.
2. The City currently has 30 to 40 interlocal agreements with other jurisdictions and the Blanket Contract Team is working with the State of Washington on writing vehicle contracts that the City frequently uses. Purchasing Services is working to increase the number of these interlocal agreements.
3. The Blanket Contract Team is actively working to eliminate expired contracts by the end of 1998.
4. The Blanket Contract has completed its review of the City's blanket contract files. By the end of fourth quarter of 1998, Purchasing Services will circulate for comment a draft rule that amends current practices and formally supersedes the rule currently in effect, but no longer followed.

Addendum A

**ORGANIZATION CHART
PURCHASING SERVICES ONLY**



Addendum B

Purchasing Survey Questionnaire July 2, 1997

Department/Division	
Name of Person Completing Questionnaire	
Job Title	
Type of Involvement with Purchasing	
Phone Number	

Raw Number	% of Total	Question
		What has been your average monthly number of contacts with Purchasing Services over the past two years? Mark an "X" in the appropriate box.
27	43%	Less than 12 contacts per year
18	29%	1 to 5 contacts per month
11	17%	6 to 15 contacts per month
7	11%	Over 15 contacts per month
		<u>EFFICIENCIES</u>
		How would you rate your satisfaction with Purchasing Services' knowledge of the industry and vendors relevant to your purchasing needs?
2	3%	(1) Dissatisfied
12	19%	(2) Somewhat Dissatisfied
16	26%	(3) Neutral
24	39%	(4) Satisfied
6	10%	(5) Very Satisfied
2	3%	(NA) No Knowledge
		How would you rate your satisfaction with Purchasing Services' timeliness in filling your department's purchase order requisitions over the past two years?
11	18%	(1) Dissatisfied
28	46%	(2) Somewhat Dissatisfied
3	5%	(3) Neutral
13	21%	(4) Satisfied
6	10%	(5) Very Satisfied
0	0%	(NA) No Knowledge

Addendum B

Raw Number	% of Total	Question
		<p>If you rate timeliness (1) or (2), we are interested in knowing why you are not satisfied with the time it takes to fill your purchase order requisitions.</p> <p>Below we have set forth some possible explanations and we ask that you indicate how accurate you believe each statement to be.</p> <p>Specifications submitted with the requisition are returned to the department for revision.</p>
7	13%	(1) Never the case
21	38%	(2) Rarely the case
9	16%	(3) Don't know
16	29%	(4) Sometimes the case
2	4%	(5) Often the case
		<p>Obtaining necessary insurance information is time-consuming.</p>
6	11%	(1) Never the case
7	13%	(2) Rarely the case
18	34%	(3) Don't know
16	30%	(4) Sometimes the case
6	11%	(5) Often the case
		<p>Your department's internal process requires too much time prior to submitting requisitions to Purchasing Services.</p>
15	28%	(1) Never the case
19	36%	(2) Rarely the case
3	6%	(3) Don't know
13	24%	(4) Sometimes the case
3	6%	(5) Often the case
		<p>The City lacks an automated purchasing system.</p>
2	4%	(1) Never the case
2	4%	(2) Rarely the case
18	34%	(3) Don't know
4	8%	(4) Sometimes the case
26	50%	(5) Often the case
		<p>Meeting WMBE requirements.</p>
5	9%	(1) Never the case
10	19%	(2) Rarely the case
13	25%	(3) Don't know
19	36%	(4) Sometimes the case
6	11%	(5) Often the case
		<p>Purchasing Services requires too much time to process the requisition.</p>
1	2%	(1) Never the case
6	11%	(2) Rarely the case
3	5%	(3) Don't know
16	29%	(4) Sometimes the case

Addendum B

Raw Number	% of Total	Question
29	53%	<p>(5) Often the case If you answered (4) or (5) to the previous question, how long do you think it should take to process an average requisition? Include a timeframe for both formal (items over \$30,000) and informal bids.</p> <hr/> <p>Most answers were in the 2-4 weeks for informal and 4-6 weeks for formal contracts.</p> <hr/> <p>Other explanations for your dissatisfaction with the timeliness of purchases.</p> <hr/> <p>“More staff needed.” “The entire procurement process has been complicated beyond reason.” “We do everything possible to avoid doing a requisition.”</p> <hr/> <p>In November 1996 the direct voucher limit was raised to \$5,000. What has been the impact of this change on your department/division?</p>
43		We now purchase more items more quickly than when the direct voucher limit was \$1,000.
10		Our workload has increased to the extent that we are purchasing more items by direct voucher.
9		There has been no impact.
6		<p>We continue to only purchase items under \$1,000 by direct voucher and still send requisitions for items over \$1,000 to Purchasing Services for processing.</p> <p>The formal competitive bid limit was raised to \$30,000 in November 1996. What has been the impact of this change on your department?</p>
12		There has been more timely purchases of items that previously required formal bidding.
2		Our workload has increased.
1		Our workload has decreased.
32		There has been no impact.

Addendum B

Raw Number	% of Total	Question
		How would you rate your satisfaction with the overall efficiency of the City's purchasing processes?
9	15%	(1) Dissatisfied
22	36%	(2) Somewhat Dissatisfied
10	16%	(3) Neutral
14	23%	(4) Satisfied
5	8%	(5) Very Satisfied
1	2%	(NA) No Knowledge
		If you rate the overall efficiency (1) or (2), please explain why you are not satisfied. What improvements could be made? Include improvements your department could make.
		<u>"Difficulty in accessing and moving information about a purchase request." "Too many regulations." "We do not receive progress reports on how an important order is coming along." "Inconsistent information and interpretation of policies." "Need to improve training of purchasing staff so they can become knowledgeable about our industry." "The City needs to revise its processes and automate them."</u>
		How would you rate your satisfaction with Purchasing Services' procedures for the following:
		<u>Purchase order requisitions:</u>
11	18%	(1) Dissatisfied
16	26%	(2) Somewhat Dissatisfied
10	16%	(3) Neutral
15	24%	(4) Satisfied
2	3%	(5) Very Satisfied
8	13%	(NA) No Knowledge
		If you rated this (1) or (2), please explain why you are not satisfied.
		<u>"No written guidelines." "Too much red tape." "Processes unclear." "Need to automate." "We add 6 weeks to any job that requires us to issue a requisition."</u>
		<u>Change order requisitions:</u>
4	7%	(1) Dissatisfied
5	8%	(2) Somewhat Dissatisfied
13	22%	(3) Neutral
16	28%	(4) Satisfied
4	7%	(5) Very Satisfied

Addendum B

Raw Number	% of Total	Question
16	28%	(NA) No Knowledge
		If you rated this (1) or (2), please explain why you are not satisfied.
		<u>“Change orders take too long.” “Slow and confusing.” “Inconsistency between buyers regarding what is required.”</u>
		<u>Sole source justifications:</u>
5	8%	(1) Dissatisfied
7	12%	(2) Somewhat Dissatisfied
11	18%	(3) Neutral
22	37%	(4) Satisfied
4	7%	(5) Very Satisfied
11	18%	(NA) No Knowledge
		If you rated this (1) or (2), please explain why you are not satisfied.
		<u>“Justification seems different depending upon who will review it.”</u>
		<u>“Process and limitations not clear.” “Acceptable justification is not clearly defined.”</u>
		<u>Emergency purchase orders:</u>
0	0%	(1) Dissatisfied
5	8%	(2) Somewhat Dissatisfied
8	14%	(3) Neutral
24	41%	(4) Satisfied
10	17%	(5) Very Satisfied
12	20%	(NA) No Knowledge
		If you rated this (1) or (2), please explain why you are not satisfied.
		<u>“Decisions as to when and how they can be used seem arbitrary.” “Too much paperwork.” “Has been used by Purchasing to meet program deadline when purchasing process was too slow.”</u>
		<u>Blanket contracts:</u>
4	7%	(1) Dissatisfied
19	31%	(2) Somewhat Dissatisfied
11	18%	(3) Neutral
13	21%	(4) Satisfied
12	20%	(5) Very Satisfied
2	3%	(NA) No Knowledge

Addendum B

Raw Number	% of Total	Question
		<p>If you rated this (1) or (2), please explain why you are not satisfied.</p> <p>“They often expire without being rebid or renewed.” “These take up to 6 months and sometimes PO requisitions are held up until blanket awarded.” “We are forced to use only one vendor instead of spreading our business around.” “Delays in departments receiving most recent blanket contract or renewal.”</p> <p><u>FAIRNESS & INTEGRITY OF COMPETITIVE BID PROCESS</u></p> <p>For the requisitions you submitted over the past two years, how would you rate your satisfaction with the <u>quality</u> of the goods/services purchased via the competitive bid process?</p> <p>1 2% (1) Dissatisfied 8 13% (2) Somewhat Dissatisfied 7 11% (3) Neutral 31 49% (4) Satisfied 10 16% (5) Very Satisfied 6 9% (NA) No Knowledge</p> <p>If you rate the quality (1) or (2), we are interested in knowing why you believe the quality is not satisfactory. Below we have set forth some possible explanations and we ask that you indicate how accurate you believe each statement to be.</p> <p>Quality products are not available in our area.</p> <p>6 17% (1) Never the case 19 52% (2) Rarely the case 6 17% (3) Don't know 5 14% (4) Sometimes the case 0 0% (5) Often the case</p> <p>The City's process does not attract vendors of quality goods.</p> <p>3 8% (1) Never the case 10 26% (2) Rarely the case 12 32% (3) Don't know 11 29% (4) Sometimes the case 2 5% (5) Often the case</p> <p>Not enough vendors are contacted.</p> <p>0 0% (1) Never the case 11 31% (2) Rarely the case 19 53% (3) Don't know</p>

Addendum B

Raw Number	% of Total	Question
4	11%	(4) Sometimes the case
2	5%	(5) Often the case
		Other explanations why you are dissatisfied with the quality of goods purchased.
		<u>“‘Low bid’ tends to mean ‘low quality,’ in my experience.” “Vendors may be wary because City takes too long to pay them.” “City takes the ‘best’ bid even though it might not be the ‘best’ product.”</u>
		For the requisitions you submitted over the past two years, how would you rate your satisfaction with the prices for goods/services achieved via the competitive bid process?
1	2%	(1) Dissatisfied
7	11%	(2) Somewhat Dissatisfied
15	24%	(3) Neutral
30	48%	(4) Satisfied
4	7%	(5) Very Satisfied
5	8%	(NA) No Knowledge
		If you rate cost (1) or (2), we are interested in knowing why you are not satisfied with the cost of items being purchased for your department or division. Below we have set forth some possible explanations and we ask that you indicate how accurate you believe each statement to be.
		The market for many of your purchased goods/services is limited, therefore the cost is high.
4	11%	(1) Never the case
7	19%	(2) Rarely the case
11	31%	(3) Don't know
9	25%	(4) Sometimes the case
5	14%	(5) Often the case
		The City's process does not always attract competitive bids.
1	3%	(1) Never the case
8	20%	(2) Rarely the case
13	32%	(3) Don't know
14	35%	(4) Sometimes the case
4	10%	(5) Often the case
		Other explanations why you are dissatisfied with the prices of goods purchased.
		<u>No comments from respondents.</u>

Addendum B

Raw Number	% of Total	Question
		How do the following policies impact the cost of items purchased for your department?
		Insurance requirements.
1	2%	(1) No impact
12	19%	(2) Minimal impact
20	32%	(3) Don't know
14	23%	(4) Some impact
11	18%	(5) Significant impact
4	6%	(6) Not applicable
		Recycled content requirements.
2	3%	(1) No impact
15	24%	(2) Minimal impact
22	35%	(3) Don't know
15	24%	(4) Some impact
5	8%	(5) Significant impact
4	6%	(6) Not applicable
		Formal bid requirements for items over \$30,000, for instance the length of time it takes to advertise for and to receive bids.
1	2%	(1) No impact
9	14%	(2) Minimal impact
18	29%	(3) Don't know
17	27%	(4) Some impact
14	22%	(5) Significant impact
4	6%	(6) Not applicable
		WMBE requirements.
1	2%	(1) No impact
15	24%	(2) Minimal impact
13	20%	(3) Don't know
21	33%	(4) Some impact
12	19%	(5) Significant impact
1	2%	(6) Not applicable
		Requiring departments to purchase off blanket contracts rather than allowing departments to negotiate with vendors for the best price possible.
3	5%	(1) No impact
15	24%	(2) Minimal impact
11	17%	(3) Don't know
23	36%	(4) Some impact

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Raw Number	% of Total	Question
10	16%	(5) Significant impact
1	2%	(6) Not applicable
		Other policies that impact the cost.
		<u>“Blankets limit our ability to take advantage of sales.” “May know of a vendor that does good work or produce a good product, but can’t use them.”</u>
		How well do you understand the steps you need to follow in order to either purchase an item by direct voucher or to submit a requisition to Purchasing Services?
19	30%	(1) Understand completely
21	33%	(2) Mostly understand
17	27%	(3) Somewhat understand
6	10%	(4) Don't understand
		If you answered (3) or (4), please explain what additional training or information could be provided by Purchasing Services and your department.
		<u>“Provide purchasing manual for users.” “Maintain purchasing policies and procedures on In-Web.” “Include training on purchasing procedures in New Supervisors Orientation program.” “A handbook with instructions and forms.”</u>
		Does your department have written purchasing policies applicable only to its personnel?
17	27%	Yes
17	27%	No
29	46%	Don't Know
		If you answered "Yes" to the above question, what types of documents are in the manual, how useful is it and why, or why is it not useful
		<u>“Approval process.” “How to fill out purchase order and emergency requisitions.” “How to use DV’s, blanket contracts, non-stock requests, etc.” “Very helpful to employees who use purchase process.”</u>
		Does Purchasing Services send written purchasing rules and guidelines to your department?
21	33%	Yes
12	19%	No

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Raw Number	% of Total	Question
30	48%	<p>Don't Know</p> <p>If you answered "Yes" to the above question, how useful are the documents to you and why? What improvements, if any, could be made?</p> <p><u>"Very useful to staff." "Documents outdated and no longer apply." "We don't look at them very much, but are used for reference if an unusual or new situation comes up."</u></p> <p>If you answered "No" or "Don't Know" to the above question, please indicate what kind of manual would be useful to you, if at all.</p> <p><u>"Brief, but concise descriptions of procedures for purchasing various items would be helpful." "A complete set of written, current policies, with written updates. (A manual.)" "Whatever I get, I want it on-line." (Most respondents indicated that they would like some kind of manual to help them.)</u></p>
24	38%	Do you feel that Purchasing Services applies its rules and policies consistently to your department or to other departments?
8	13%	Yes
31	49%	No
		Don't Know
		<p>If you answered "No" to the above question, please explain your answer.</p> <p><u>"Each buyer seems to have a different interpretation of purchasing policy." "Inconsistent information, inconsistent interpretation of policies, vendors have complained to us that they get inconsistent information. . . ."</u></p>
		CUSTOMER SERVICE
		Overall, how would you rate the cooperation of Purchasing Services' personnel in meeting your department's purchasing needs
1	2%	(1) Dissatisfied
11	18%	(2) Somewhat Dissatisfied
10	16%	(3) Neutral
23	37%	(4) Satisfied
15	24%	(5) Very Satisfied
2	3%	(NA) No Knowledge

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Raw Number	% of Total	Question
		<p>If you rated Purchasing Services' cooperation (1) or (2), please explain any changes that you believe would improve cooperation. Include any changes that your department could make.</p> <p><u>"Its not the people, it's the system." "Improve communication, keep department contact informed if incurring delays in processing." "Efforts as described above to make the process less 'arcane' and 'opaque' for users." "Adequate staff to address workload." "I think they do the best job they can, but they are buried in the process." "Better efforts to keep user/requesters continually informed of the status and prospective time of processes/requests they are involved in."</u></p> <p>How would you rate Purchasing Services' assistance in helping your department meet its WMBE purchasing goals</p> <p>(1) Dissatisfied (2) Somewhat Dissatisfied (3) Neutral (4) Satisfied (5) Very Satisfied (NA) No Knowledge</p> <p>If you rated Purchasing Services' assistance (1) or (2), please explain any additional assistance that could be provided. Include any assistance your department could provide.</p> <p><u>"Make WMBE monthly/YTD usage statistics available on-line."</u> <u>"Several WMBE companies with whom we deal have not registered because of complicated process." "Need more choices." "Review WMBE % to insure it is realistic with regard to the commodities the departments are buying."</u></p> <p>OTHER</p> <p>With the City's decision to replace SFMS with PeopleSoft, which will include a purchasing module, the City will need to re-engineer its purchasing functions.</p> <p>What are some of your ideas on how the purchasing function should be re-engineered?</p> <p><u>"First, clear recognition of the purpose of the Purchasing organization -- enforcement of rules, streamline purchasing process, etc." "Be careful about reengineering this function based on a financial system. . . I think a purchasing function MAY be better driven by more of a business based system." (Respondents mentioned on-line requisitioning, ability to</u></p>
2	3%	
10	16%	
17	28%	
12	19%	
1	2%	
20	32%	

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Raw Number	% of Total	Question
		<p>view status of requisition on-line, electronic signature capability, automate qualified vendor/IRS/WMBE/insurance information, incorporate workflow routing teams, workflow status, reduce duplicate data entry.)</p> <p>What needs should the new system meet that are not being met by the way the City currently purchases goods and services?</p> <p>“Should support ‘surplusing’ or other inventory management functions so that we don’t buy something from the outside that another department, or worse our own, is in the process of surplus.” “Incorporate project tracking We are frequently interested in the value of outstanding requests that are not official yet because they have not been received by Contracting Services or entered into the system.” (Most respondents mentioned various aspects of an automated purchasing process.)</p> <p>Additional comments.</p> <p>“Staff generally good and tries hard. Needed changes are more systemic.” “The City’s purchasing process needs radical overhaul.” “There is some great staff in Purchasing Services. However, they are working within an outdated system.”</p>

Addendum C



City of Seattle

Norman B. Rice, Mayor

Executive Services Department

Dwight D. Dively, Director

MEMORANDUM

DATE: March 9, 1998

TO: Eileen Norton
Office of City AuditorFROM: Rodrick C. Brandon, Director of Contracting Services
Executive Services Department

SUBJECT: Request for Formal Written Comments on the Purchasing Audit Report

Thank you for the opportunity to review your report on the City's purchasing processes. We appreciate your research, analyses, and suggestions.

When we requested the purchasing audit in 1996, we had two goals: (1) an independent analyses of our procedures and controls to ensure the integrity of our systems and (2) an opportunity to obtain suggestions to improve our processes and customer service. Your audit fulfilled both goals. It confirmed our belief that our purchasing system accomplishes its intended benefit while maintaining appropriate checks and balances. It also provided a venue to highlight proactive measures we are implementing to improve our system and provided additional thoughtful suggestions to consider in the enhancement of our customer service.

To insure that a reader of this report has sufficient perspective and background of issues specifically addressed in your audit, I believe it is important to provide additional clarification on several issues.

- In discussing the implementation of emergency procedures in October 1996 in response to a processing backlog, the report questions whether this action was inconsistent with competitive bidding requirements. Specifically, does a backlog of purchase order requisitions provide sufficient justification to deem competitive bidding "impracticable". The decision to implement these emergency procedures was a thoughtful response to a backlog which severely impacted departments' ability to fulfill business needs. The backlog resulted from an influx of requisitions at year-end coupled with inadequate staffing available to meet the need. Repeated attempts to

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obtain waivers to fill vacant buyer positions during the existing hiring freeze were denied. Interpretation of Seattle Municipal Code provisions identified available options to address the backlog during this year-end period. Weighing the citywide impact of the backlog with our means to address it with existing processes, the "emergency" procedures were implemented with the full belief that systems were in compliance with legislated regulations. These procedures were implemented with the support of the department director and discussed with the Law Department.

- A significant section of the report compares Seattle's purchasing processing times with other jurisdictions. Although we are striving to improve timely processing of requisitions, we do not believe that these jurisdictional comparisons are meaningful. There is a lack of consistency between jurisdictions about when they start the "clock". Many start tracking processing time when complete, biddable requisitions are received. We start the "clock" upon receipt of requisitions, even though the development of biddable specifications may take a significant amount of time and effort between the requesting department and the Purchasing staff. Although the comparisons included in the audit report indicate that Seattle significantly lags behind other jurisdictions in their processing time, recent comparisons with other cities (Philadelphia, Pittsburgh, and a 26-city survey) indicate that Seattle is much faster than most. However, even these may not be meaningful comparisons due to the lack of consistency between jurisdictions in definition of terms and "clocks". This is why we question the value of these types of generalized comparisons.
- Emphasis is placed on the lack of adequate supervisory review of contract files. Given the significance of this issue from a control standpoint it is important to note that the former purchasing manager consistently reviewed bid tabulation sheets by checking the actual bids against the tabulations and performing spot checks of entire bid files. The buyer impropriety which prompted this audit was the action of a Principal Buyer who had a significant signature authority threshold and supervisory responsibility over base class buyers. Because of this individual's level, he had more discretion than senior buyers, buyers, or assistant buyers. Yet, supervisory review of his contract files was performed. It is important to note that the impropriety @ discovered via existing controls and supervisory file reviews, even though the impression may be given that controls were lax.

Again, we appreciate the opportunity this audit has afforded us to collaboratively develop action plans to improve our processes, controls, and customer service. As mentioned above, this was a primary goal when we requested the audit. Numerous action items are detailed in this report; steps which should positively impact our timeliness, rule development and communication, documentation, and blanket contract management. Many of these items are already complete or in process. Other suggestions noted by the

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Auditor will be thoughtfully considered as we weigh their overall impact on the City's procurement system.

We constantly strive to balance the expediency of our processes and the business needs of our customers with opportunities to fulfill City commitments to our other goals and initiatives, such as recycled product use, WMBE utilization, support of local businesses, minimal use of hazardous materials, risk management, and safeguarding of public funds. Overall, we believe we are quite successful in managing these potentially conflicting goals. We are especially proud of the many enhancements achieved over the past year in the Purchasing arena. Notable among these are:

- Legislation to delegate authority to departments to enter into small public works and ordinary maintenance agreements less than \$5,000.
- Implementation of a blanket contract team to improve monitoring and management of blanket contracts.
- A division wide data modeling effort to define business practices and to set the groundwork for an integrated contracting system of data management.
- Active involvement in the Summit Project, a major component of which is dedicated to purchasing automation, to redefine the City purchasing business practices and to facilitate their inclusion in the new automated system.
- A fully staffed Purchasing Section.
- Implementation and communication of the revised direct voucher rule for purchase of goods less than \$5,000.
- Development of standard operating procedures and provision of increased access to information via the InWeb.
- Proactive efforts to streamline insurance requirement processes in coordination with the Risk Management Office.
- Customized legal training for Purchasing staff provided by the Law Department.

In summary, we appreciate the depth of information provided in the Auditor's report, and are in overall concurrence with the report's recommendations. The contributions of the Office of the City Auditor will be put to good use. As we move forward with the purchasing component of Summit and the many enhancements afforded by that project, we are confident that the next two years will greatly impact and benefit the City's purchasing business-

cc: Melody Mociulski, Purchasing Services
Dwight Dively, ESD Director
Ken Nakatsu, ESD Deputy Director
Monica Power, OMB